International Journal of Accounting and Economics Studies, 13 (2) (2026) 472-480

International Journal of Accounting and Economics Studies

Website: www.sciencepubco.com/index.php/IJAES
https://doi.org/10.14419/yyk2tt97
Research paper

The Influence of Multidimensional Risk and Religiosity On Interest in Sharia Investments among Muslim Investors in Indonesia

Husnawaty *, Triasesiarta Nur

Accounting Department, School of Accounting, Master of Accounting, Bina Nusantara University, Jakarta, Indonesia,11480
**Corresponding author E-mail: husnawaty@binus.ac.id*

Received: January 17, 2026, Accepted: February 20, 2026, Published: March 10, 2026

Abstract

This study investigates the determinants of Sharia investment interest by integrating multidimensional risk tolerance and religiosity within the Indonesian Islamic capital market context. Moving beyond conventional single-dimensional approaches, risk tolerance is decomposed into risk propensity, risk attitude, risk capacity, and risk knowledge to provide a more comprehensive behavioral framework. Data were collected from Muslim investors and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM).
The findings indicate that only risk capacity and religiosity significantly influence Sharia investment interest. Religiosity emerges as the strongest predictor, underscoring the central role of ethical commitment in Islamic financial decision-making. Risk capacity also demonstrates a significant positive effect, suggesting that objective financial resilience functions as a structural enabling factor in Sharia investment participation. In contrast, risk propensity, risk attitude, and risk knowledge do not exhibit significant effects, implying that general psycho-logical risk preferences and financial literacy alone may be insufficient drivers within Sharia-constrained investment environments. These results extend prior Islamic finance models by highlighting the differential roles of structural and ethical determinants over psycholog-ical risk dimensions. The study contributes theoretically by refining multidimensional risk tolerance theory in an Islamic context and offers practical implications for regulators and Islamic fund managers in investor segmentation and market development strategies.

Keywords: *Sharia Investment; Multidimensional Risk Tolerance; Risk Capacity; Religiosity; Islamic Capital Market; Indonesia.*

1. Introduction

Investment decisions in Islamic capital markets are governed by normative principles that prohibit riba (interest), gharar (excessive uncertainty), and maysir (speculation), alongside sector-based screening mechanisms that exclude non-permissible activities (Dusuki & Abozaid, 2007; Walkshäusl & Lobe, 2012). These constraints create a distinct investment environment in which financial objectives must be balanced with Sharia compliance. Consequently, Muslim investors operate within a restricted opportunity set that embeds ethical considerations directly into portfolio selection and risk evaluation.
From the perspective of accounting and financial economics, investor behavior in such constrained markets cannot be fully explained by traditional rational choice assumptions. Behavioral finance emphasizes bounded rationality and heterogeneous risk perceptions in shaping financial decisions under uncertainty (Kahneman & Tversky, 1979). Contemporary literature conceptualizes risk tolerance as a multidimensional construct comprising risk propensity, risk attitude, risk capacity, and risk knowledge (Cordell, 2001; Brayman, 2012; Wahl & Kirchler, 2020; Nguyen, Gallery, & Newton, 2019). While psychological dimensions such as risk propensity and risk attitude capture dispositional tendencies toward uncertainty, risk capacity reflects objective financial ability to absorb losses, and risk knowledge represents cognitive competence in evaluating investment risk. This multidimensional perspective offers greater explanatory precision than single-factor models of risk behavior.
In Islamic investment contexts, risk-related considerations are further intertwined with religiosity, which shapes financial behavior through adherence to Sharia principles and ethical commitments (Mahdzan et al., 2017; León & Pfeifer, 2017). Prior studies generally find that higher religiosity strengthens preferences for Sharia-compliant instruments and discourages speculative behavior. However, empirical findings regarding the effects of specific risk dimensions remain inconsistent. Psychological dimensions often exhibit mixed or insignificant relationships with Islamic investment interest, and the role of risk knowledge appears context-dependent (Nguyen et al., 2019). Notably, several studies, including Lestari et al., report limited or insignificant effects of certain risk components, suggesting that the interaction between structural financial capacity and Sharia constraints remains underexplored.
These inconsistencies highlight an important theoretical gap. While prior models incorporate selected dimensions of risk tolerance, few studies systematically assess psychological, structural, and cognitive dimensions simultaneously within a Sharia-constrained framework. Moreover, insignificant findings -particularly for risk capacity -have often been interpreted as lack of relevance rather than as evidence of

contextual moderation. Given that Islamic investment instruments may still involve volatility within permissible boundaries, the ability to absorb financial loss could represent a structural enabling condition rather than a purely dispositional factor. Re-examining multidimensional risk tolerance in an integrated model therefore provides an opportunity to clarify these theoretical ambiguities.

Motivated by this gap, the present study investigates the effects of risk propensity, risk attitude, risk capacity, risk knowledge, and religiosity on Sharia investment interest among Muslim investors in Indonesia. By situating multidimensional risk tolerance within an Islamic capital market context, this study extends prior models in two ways. First, it re-evaluates the structural relevance of risk capacity beyond previous findings of insignificance. Second, it assesses whether cognitive risk knowledge contributes independently to Sharia investment interest when psychological and religious factors are considered simultaneously.

Using Partial Least Squares Structural Equation Modeling (PLS-SEM), this study empirically tests the proposed relationships among latent constructs. By integrating behavioral risk dimensions and religiosity within a unified framework, the findings contribute to the accounting and financial economics literature by clarifying the determinants of Sharia investment interest and by providing context-sensitive evidence relevant to Islamic capital market development in emerging economies.

2. Literature Review

2.1. Sharia investment decisions

Sharia-compliant investment decisions are governed by Islamic legal principles that prohibit interest-based transactions, excessive uncertainty, and speculative activities, while excluding impermissible sectors (Walkshäusl & Lobe, 2012; Sherif & Lusyana, 2016; Soemitra, 2016). These restrictions create a distinct investment environment in which financial objectives must be pursued within normative and ethical boundaries.

Although Sharia principles constrain the permissible investment universe, investors remain exposed to market volatility and financial risk. Consequently, Sharia investment decisions cannot be explained solely by classical rational choice models. Behavioral finance suggests that individual risk perceptions and psychological characteristics influence how investors evaluate uncertainty (Kahneman & Tversky, 1979). Therefore, Sharia investment interest reflects the interaction between ethical constraints and behavioral risk considerations. This integrated perspective provides the foundation for examining how multidimensional risk tolerance and religiosity jointly shape investment preferences in Islamic capital markets.

Traditional financial theories conceptualize risk tolerance as a single stable trait; however, contemporary research increasingly views it as a multidimensional construct comprising psychological, structural, and cognitive components (Cordell, 2001; Wahl & Kirchler, 2020). This perspective distinguishes between risk propensity and risk attitude as psychological tendencies toward uncertainty, risk capacity as the objective financial ability to absorb potential losses, and risk knowledge as cognitive understanding of risk–return trade-offs (Nguyen, Gallery, & Newton, 2019). Such differentiation provides a more precise framework for explaining heterogeneity in investor behavior.

In Islamic investment contexts, the relevance of each dimension may differ due to Sharia-imposed normative constraints. While investors remain exposed to market volatility, their risk-taking behavior operates within ethical boundaries that discourage excessive speculation. Consequently, the behavioral expression of psychological risk tendencies may not directly translate into Sharia investment participation.

Empirical findings regarding multidimensional risk tolerance in Islamic finance remain heterogeneous. Psychological dimensions such as risk propensity and risk attitude often produce mixed or insignificant results across contexts. Risk capacity, although theoretically important as a structural condition, has shown inconsistent empirical influence, with several studies -including Lestari et al. -reporting limited significance. Risk knowledge appears relatively more stable in soe settings, yet its effect remains context-dependent (Nguyen et al., 2019). These inconsistencies suggest that prior models may insufficiently capture the interaction between psychological tendencies, financial structure, and ethical constraints in Sharia-constrained environments.

Rather than implying theoretical irrelevance, insignificant findings may reflect contextual moderation within Islamic capital markets. A simultaneous assessment of psychological, structural, and cognitive risk dimensions is therefore necessary to clarify their relative contribution to Sharia investment interest.

2.2. Religiosity and sharia investment interest

Religiosity reflects the extent to which individuals internalize and practice religious values in their daily lives, including financial decision-making (Iddagoda & Opatha, 2017). In Islamic finance, investment behavior is not value-neutral but must conform to Sharia principles, making religiosity a central determinant of Sharia-compliant investment interest (Hassan & Shamsher, 2010; Mahdzan et al., 2017).

Empirical studies consistently report a positive relationship between religiosity and participation in Islamic financial products, indicating that stronger religious commitment increases preference for Sharia-compliant instruments even when conventional alternatives may offer higher expected returns (Alam et al., 2019; Shah et al., 2019; Irna Puji Lestari et al., 2021). Religiosity therefore functions as a motivational factor that directly shapes Sharia investment interest, potentially independent of psychological and structural risk characteristics.

2.3. Gender as a control variable

Prior behavioral finance research documents systematic gender differences in financial risk behavior, with male investors generally exhibiting higher risk-taking tendencies and trading activity than female investors (Barber & Odean, 2001; Croson & Gneezy, 2009). Such differences may indirectly influence investment preferences, including Sharia-compliant investment choices.

Accordingly, gender is included as a control variable to account for potential demographic heterogeneity and to ensure that the estimated effects of multidimensional risk tolerance and religiosity are not confounded by systematic gender differences.

2.4. Research hypotheses development

Based on the preceding theoretical synthesis, Sharia investment interest is conceptualized as the outcome of psychological, structural, cognitive, and ethical considerations. Multidimensional risk tolerance is operationalized through four dimensions -risk propensity, risk attitude, risk capacity, and risk knowledge -following the framework proposed by Cordell and subsequent behavioral finance literature.

Psychological dimensions, namely risk propensity and risk attitude, reflect individuals' inherent tendency and evaluative stance toward uncertainty. In general investment contexts, higher psychological risk tolerance is associated with stronger participation in risky assets.

However, within Sharia-constrained environments, the behavioral translation of such tendencies may be moderated by ethical and religious boundaries. Nevertheless, individuals with greater tolerance toward uncertainty are expected to exhibit higher interest in capital market participation, including Sharia-compliant instruments.
Risk capacity represents the financial ability to absorb potential losses. Investors with stronger financial resources and income stability are theoretically better positioned to engage in capital market activities, suggesting a positive association between risk capacity and investment interest.
Risk knowledge reflects cognitive understanding of financial risk and return trade-offs. Greater financial literacy and risk comprehension reduce ambiguity and enhance decision confidence, thereby increasing the likelihood of investment participation.
In addition to risk dimensions, religiosity functions as a value-based motivational factor. In Islamic finance contexts, stronger religious commitment is expected to directly increase preference for Sharia-compliant investments, as investment decisions are embedded within ethical and normative considerations.

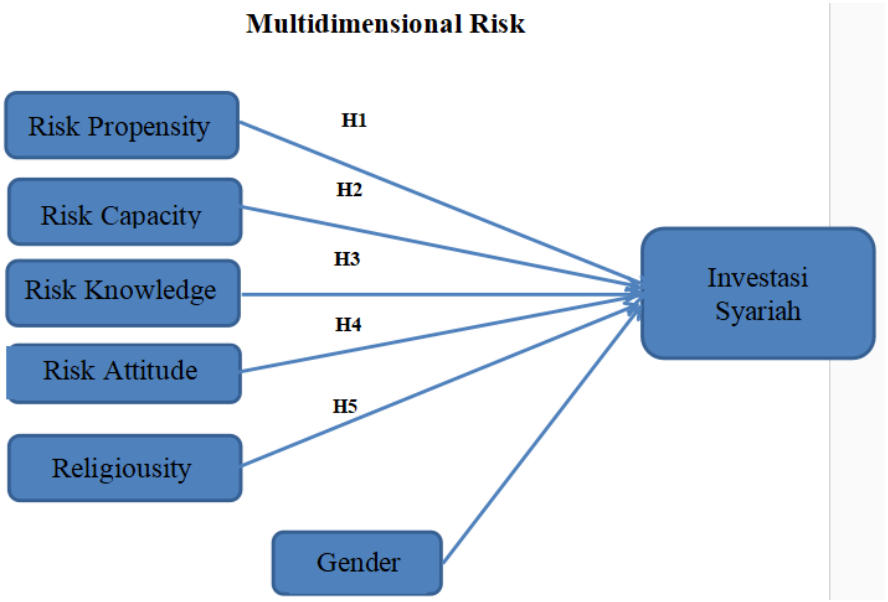

Fig. 1: The Conceptual Framework Used in This Study Is A Modified Model Developed by Lestari Et Al. (2021).

Accordingly, the following hypotheses are proposed:
H1: Risk Propensity positively influences Sharia investment interest.
H2: Risk Attitude positively influences Sharia investment interest.
H3: Risk Capacity positively influences Sharia investment interest.
H4: Risk Knowledge positively influences Sharia investment interest.
H5: Religiosity positively influences Sharia investment interest.

3. Methodology

3.1. Research design and data collection

This study adopts a quantitative research design to examine the effects of multidimensional risk and religiosity on Sharia investment interest among Muslim investors in Indonesia. A cross-sectional survey approach was employed, as it is appropriate for capturing individual perceptions, attitudes, and behavioral intentions at a single point in time (Creswell & Creswell, 2018).
Primary data were collected using a structured online questionnaire, which was distributed via social media platforms and investment-related online communities. The questionnaire targeted Muslim individuals who had an interest in, or prior exposure to, Sharia-compliant investment instruments. Online data collection was chosen to enhance accessibility and to reach respondents across different regions in Indonesia, where Islamic capital market participation has grown significantly in recent years (Bursa Efek Indonesia, 2023).
All questionnaire items were measured using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree), enabling respondents to express the degree of their agreement with each statement. This scaling method facilitates robust statistical analysis and is widely applied in behavioral finance and Islamic finance research.

3.2. Sampling procedure and measurement

The study employed a non-probability purposive sampling technique, which is appropriate when respondents are required to meet specific criteria aligned with the research objectives (Etikan et al., 2016). The inclusion criteria stipulated that respondents must be Muslim, reside in Indonesia, and demonstrate an interest in Sharia-compliant investment products. A total of 235 valid responses were collected and analyzed, meeting the minimum sample size requirements for Partial Least Squares Structural Equation Modeling (PLS-SEM) based on both the ten times rule and contemporary statistical power considerations (Hair et al., 2014). All constructs in the measurement model were specified as reflective. Risk propensity was measured using indicators adapted from Cordell (2001) and Wahl and Kirchler (2020) to capture individuals' general inclination toward risk-taking behavior. Risk capacity reflected respondents perceived financial ability to absorb potential investment losses, taking into account income stability and financial obligations (Brayman, 2012). Risk knowledge assessed respondents' understanding of investment risk and risk-return trade-offs, adapted from Nguyen et al. (2019), while risk attitude captured psychological responses to financial risk and uncertainty (Wahl & Kirchler, 2020). Religiosity was measured based on individuals' commitment to Islamic values and principles in both daily life and financial decision-making (Iddagoda & Opatha, 2017; Alam et al., 2019).

Sharia investment interest represented respondents' intention and willingness to invest in Sharia-compliant financial instruments (Vania Evanita Puspitasari et al., 2021). Prior to hypothesis testing, all constructs were evaluated for reliability and validity in accordance with established PLS-SEM assessment criteria.

4. Results and Interpretations

4.1. Collinearity and outer loadings

Table 1: Collinearity Statistics and Outer Loadings

Items	VIF	Items	Outer loadings
G	1.000	G	1.000
R 1	1.898	R 1	0.784
R 2	1.607	R 2	0.722
R 3	2.302	R 3	0.785
R 4	1.745	R 4	0.731
R 5	1.784	R 5	0.743
RA 1	1.430	RA 1	0.729
RA 2	1.817	RA 2	0.787
RA 3	1.561	RA 3	0.741
RA 4	2.038	RA 4	0.804
RA 5	1.412	RA 5	0.702
RC 1	1.546	RC 1	0.704
RC 2	1.816	RC 2	0.717
RC 3	1.692	RC 3	0.735
RC 4	2.297	RC 4	0.813
RC 5	1.504	RC 5	0.711
RC 6	1.902	RC 6	0.745
RC 7	1.694	RC 7	0.735
RK 1	1.442	RK 1	0.706
RK 2	1.463	RK 2	0.714
RK 3	1.906	RK 3	0.766
RK 4	1.668	RK 4	0.723
RK 5	2.054	RK 5	0.762
RK 6	2.011	RK 6	0.753
RP 1	2.065	RP 1	0.778
RP 2	1.794	RP 2	0.753
RP 3	1.719	RP 3	0.729
RP 4	2.469	RP 4	0.816
RP 5	1.785	RP 5	0.760
RP 6	3.089	RP 6	0.876
SII 1	2.950	SII 1	0.825
SII 10	2.746	SII 10	0.732
SII 2	2.352	SII 2	0.725
SII 3	2.567	SII 3	0.784
SII 4	2.505	SII 4	0.732
SII 5	2.178	SII 5	0.712
SII 6	3.096	SII 6	0.838
SII 7	2.493	SII 7	0.719
SII 8	2.930	SII 8	0.784
SII 9	3.441	SII 9	0.811

Note : VIF values are below the recommended threshold, indicating no multicollinearity. All outer loadings exceed 0.70, confirming convergent validity.

Table 1 presents the collinearity statistics (Variance Inflation Factor/VIF) and outer loadings for all measurement items used in this study. The assessment of collinearity is essential to ensure that multicollinearity does not bias the estimation of path coefficients in the structural model, while outer loadings evaluate the convergent validity of the reflective measurement model (Hair et al., 2014).

4.1.1. Collinearity assessment (VIF)

The VIF values for all indicators range from 1.000 to 3.441, which are below the conservative threshold of 5.0 and well within the stricter criterion of 3.3 suggested for PLS-SEM models to detect potential common method bias (Kock, 2015). The highest VIF value is observed for SII 9 (VIF = 3.441), which remains acceptable and does not indicate problematic multicollinearity.
These results confirm that multicollinearity among indicators is not a concern, and the estimated relationships in the structural model are unlikely to be distorted by overlapping variance among constructs.

4.1.2. Outer loadings (convergent validity)

All measurement items exhibit outer loading values above the recommended minimum threshold of 0.70, indicating satisfactory convergent validity (Hair et al., 2014). Specifically, the Religiosity (R) indicators show strong loading's ranging from 0.709 to 0.784, indicating that the construct is reliably measured and adequately captures respondents' internalization of religious beliefs and values. The Risk Propensity (RP) indicators load between 0.735 and 0.878, reflecting high internal consistency in measuring respondents' general inclination toward risk-taking behavior. The Risk Attitude (RA) indicators exhibit loading's ranging from 0.701 to 0.821, demonstrating a robust representation of respondents' psychological willingness to tolerate financial uncertainty and potential losses. Indicators measuring Risk Capacity (RC) show loading's between 0.751 and 0.835, indicating adequate and reliable measurement of respondents' objective financial ability to absorb potential losses. The Risk Knowledge (RK) indicators load between 0.700 and 0.764, suggesting that respondents' understanding of investment risk and risk–return trade-offs is consistently captured. Finally, the Sharia Investment Interest (SII) indicators exhibit

loading's ranging from 0.722 to 0.834, confirming that the construct is well ope-rationalized. Overall, these findings confirm that the measurement model satisfies the requirements of convergent validity and supports subsequent analysis of construct reliability and structural relationships.

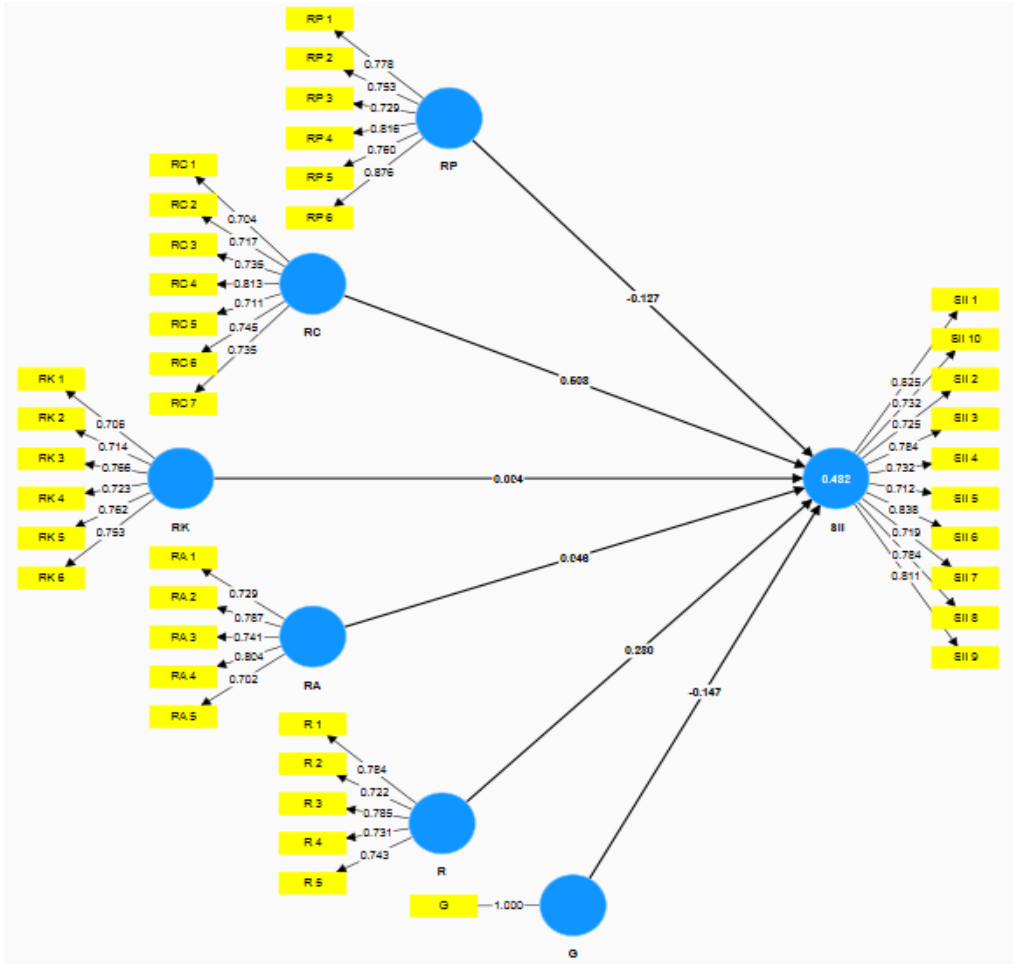

Fig. 2: Outer Model Testing.

4.2. Measurement model

4.2.1. Cronbach's alpha (CA), composite reliability (CR), and average variance extracted (AVE)

Table 2: Construct Reliability and Convergent Validity Results

Constructs	Cronbach's alpha	Composite reliability (rho_a)	Composite reliability (rho_c)	Average variance extracted (AVE)
Religiosity	0.809	0.810	0.868	0.568
Risk Attitude	0.809	0.809	0.868	0.568
Risk Capacity	0.861	0.865	0.893	0.544
Risk Knowledge	0.833	0.834	0.877	0.544
Risk Propensity	0.876	0.877	0.907	0.619
Sharia Investment Interest	0.922	0.931	0.935	0.589

Note: Cronbach's alpha ≥ 0.70 indicates acceptable internal consistency reliability. Composite reliability (ρa and ρc) ≥ 0.70 confirms construct reliability. AVE ≥ 0.50 indicates adequate convergent validity (Hair et al., 2014; Henseler et al., 2016).

The internal consistency reliability and convergent validity of the measurement model were evaluated using Cronbach's alpha, composite reliability (ρa and ρc), and Average Variance Extracted (AVE). The results are presented in Table 2.

As shown in Table 2, all constructs demonstrate satisfactory internal consistency reliability. Cronbach's alpha values range from 0.809 to 0.922, exceeding the recommended minimum threshold of 0.70, indicating that the indicators consistently measure their respective latent constructs. In particular, Sharia Investment Interest (SII) exhibits the highest reliability (α = 0.922), suggesting a strong internal coherence among its measurement items.

Composite reliability further confirms the robustness of the measurement model. The composite reliability values (ρa and ρc) for all constructs range between 0.809 and 0.935, well above the acceptable cut-off value of 0.70. These findings indicate that the constructs exhibit a high degree of internal consistency and reliability, reinforcing the adequacy of the measurement scales employed in this study.

Convergent validity was assessed using the Average Variance Extracted (AVE). All constructs report AVE values above the recommended threshold of 0.50, ranging from 0.544 to 0.619. This indicates that each construct explains more than half of the variance of its observed indicators, thereby confirming adequate convergent validity. Notably, Risk Propensity (RP) shows the highest AVE value (0.619), reflecting a strong convergence among its indicators.

4.3. Discriminant validity

Table 3: Fornel & Lorcker Criteria

	Gender	Religiosity	Risk Attitude	Risk Capacity	Risk Knowledge	Risk Propensity	Sharia Investment Interest
Gender	1						
Religiosity	-0.113	0.754					
Risk Attitude	-0.072	0.589	0.754				
Risk Capacity	-0.163	0.615	0.673	0.738			
Risk Knowledge	-0.137	0.597	0.671	0.755	0.738		
Risk Propensity	-0.107	0.419	0.612	0.632	0.612	0.787	
Sharia Investment Interest	-0.178	0.577	0.483	0.645	0.517	0.349	0.767

The Fornell-Larcker criterion was employed to assess discriminant validity among the latent constructs. As presented in Table X, the square roots of the Average Variance Extracted (AVE), shown as diagonal values, exceed the corresponding inter-construct correlations for all constructs in the model. For instance, the square root of the AVE for Sharia Investment Interest is 0.767, which is higher than its correlations with Religiosity (0.577), Risk Capacity (0.645), Risk Knowledge (0.517), Risk Attitude (0.483), and Risk Propensity (0.349). Similarly, the square root of the AVE for Risk Propensity (0.787) surpasses its correlations with other risk dimensions and Sharia Investment Interest. These results satisfy the Fornell–Larcker criterion (Fornell & Larcker, 1981), indicating that each construct is empirically distinct and that adequate discriminant validity is established within the measurement model.

Table 4: Heterotrait-Monotrait Ratio HTMT Results

	Gender	Religiosity	Risk Attitude	Risk Capacity	Risk Knowledge	Risk Propensity	Sharia Investment Interest
Gender							
Religiosity	0.127						
Risk Attitude	0.136	0.726					
Risk Capacity	0.169	0.735	0.824				
Risk Knowledge	0.146	0.723	0.825	0.891			
Risk Propensity	0.126	0.485	0.725	0.743	0.724		
Sharia Investment Interest	0.174	0.642	0.536	0.682	0.558	0.373	

Table 4 presents the results of the discriminant validity assessment using the Heterotrait–Monotrait Ratio (HTMT) criterion. HTMT is employed to evaluate the extent to which a construct is empirically distinct from other constructs in the model. According to Henseler et al. (2015), discriminant validity is established when HTMT values are below 0.90 (or more conservatively, 0.85).

As shown in Table 4, all HTMT values among the constructs are below the recommended threshold, indicating adequate discriminant validity. The HTMT values between Gender and the other constructs are relatively low, ranging from 0.126 to 0.174, suggesting that Gender is clearly distinct from the remaining constructs in the model.

The relationships between Religiosity and risk-related constructs exhibit moderately high HTMT values, such as with Risk Attitude (0.726), Risk Capacity (0.735), and Risk Knowledge (0.723). Although these values indicate conceptual relatedness, they remain below the critical threshold, confirming sufficient discriminant validity.

The highest HTMT value is observed between Risk Knowledge and Risk Capacity (0.891). Despite being relatively high, this value is still within the acceptable limit (<0.90), indicating that the two constructs, while closely related, are empirically distinguishable.

Furthermore, the HTMT values between Sharia Investment Interest and the other constructs range from 0.373 to 0.682, supporting the notion that Sharia investment interest represents a distinct construct compared to religiosity and risk-related variables.

4.4. R-squared, effect size, and confidence intervals

Table 5: R Square

	R-square	R-square adjusted
Sharia Investment Interest	0.482	0.468

The coefficient of determination (R^2) results for Sharia Investment Interest are presented in Table 5. The R^2 value of 0.482 indicates that 48.2% of the variance in Sharia investment interest is explained by the exogenous variables included in the model. This suggests a moderate explanatory power, according to commonly accepted criteria in structural equation modeling. Furthermore, the adjusted R^2 value of 0.468 accounts for model complexity and the number of predictors, providing a more conservative estimate of the model's explanatory capability. The small difference between R^2 and adjusted R^2 indicates that the model is not over-fitted and that the included predictors contribute meaningfully to explaining Sharia investment interest.

Table 6: Effect Size (F Square)

	Gender	Religiosity	Risk Attitude	Risk Capacity	Risk Knowledge	Risk Propensity	Sharia Investment Interest
Gender							0.010
Religiosity							0.083
Risk Attitude							0.002
Risk Capacity							0.166
Risk Knowledge							0.000
Risk Propensity							0.016
Sharia Investment Interest							

Table 6 presents the results of the effect size (f^2) analysis, which evaluates the relative impact of each exogenous construct on Sharia Investment Interest in the structural model. The f^2 value indicates the extent to which a specific predictor contributes to the explained variance of the endogenous variable when it is removed from the model. Following the guidelines proposed by Cohen (1988), f^2 values of 0.02, 0.15, and 0.35 represent small, medium, and large effects, respectively.

As shown in Table 6, Risk Capacity exhibits an f^2 value of 0.166, indicating a medium effect size on Sharia investment interest. This suggests that risk capacity is a substantive predictor and plays an important role in explaining individuals' interest in Sharia-compliant investment.

Religiosity demonstrates an f^2 value of 0.083, which corresponds to a small effect size, indicating that religiosity contributes modestly to explaining Sharia investment interest. In contrast, Gender ($f^2 = 0.010$), Risk Attitude ($f^2 = 0.002$), Risk Propensity ($f^2 = 0.016$), and Risk Knowledge ($f^2 = 0.000$) exhibit negligible to very small effect sizes, suggesting that their individual contributions to Sharia investment interest are limited when considered independently within the model.

Table 7: Direct Effect Results

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (|O/STDEV|)	P values
Gender -> Sharia Investment Interest	-0.147	-0.148	0.094	1.573	0.116
Religiosity ->Sharia Investment Interest	0.280	0.270	0.089	3.145	0.002
Risk Attitude ->Sharia Investment Interest	0.046	0.046	0.074	0.616	0.538
Risk Capacity ->Sharia Investment Interest	0.508	0.518	0.144	3.535	0.000
Risk Knowledge ->Sharia Investment Interest	0.004	0.018	0.103	0.039	0.969
Risk Propensity ->Sharia Investment Interest	-0.127	-0.132	0.102	1.240	0.215

Table 7 reports the results of the structural model assessment, including the path coefficients, t-statistics, and p-values obtained from the bootstrapping procedure. These results are used to evaluate the significance and direction of the hypothesized relationships between the exogenous constructs and Sharia Investment Interest. The results indicate that Religiosity has a positive and statistically significant effect on Sharia investment interest ($\beta = 0.280$, $t = 3.145$, $p = 0.002$). This finding suggests that individuals with higher levels of religiosity are more likely to exhibit stronger interest in Sharia-compliant investment products.

Similarly, Risk Capacity demonstrates a strong positive and significant influence on Sharia investment interest ($\beta = 0.508$, $t = 3.535$, $p < 0.001$), indicating that individuals who perceive themselves as more capable of bearing financial risk tend to show greater interest in Sharia investments. This result highlights risk capacity as the most influential predictor in the model. In contrast, Gender does not have a statistically significant effect on Sharia investment interest ($\beta = -0.147$, $t = 1.573$, $p = 0.116$). Although the coefficient is negative, the relationship fails to reach conventional levels of statistical significance.

Likewise, Risk Attitude shows a positive but non-significant relationship with Sharia investment interest ($\beta = 0.046$, $t = 0.616$, $p = 0.538$), suggesting that general attitudes toward risk do not directly influence interest in Sharia-compliant investments. The effect of Risk Knowledge on Sharia investment interest is also non-significant ($\beta = 0.004$, $t = 0.039$, $p = 0.969$), indicating that financial risk knowledge alone does not translate into higher interest in Sharia investment products.

Finally, Risk Propensity exhibits a negative but non-significant effect on Sharia investment interest ($\beta = -0.127$, $t = 1.240$, $p = 0.215$), implying that individuals' tendency to take risks does not significantly shape their interest in Sharia investments.

Recent studies in Islamic finance provide additional support for these findings. For example, Nur Shabrina et al. (2024) report that financial literacy significantly influences participation in the Sharia capital market, suggesting that structural financial capability plays an important role in shaping investment decisions. Similarly, Husein (2025) highlights the relevance of risk perception in Sharia stock investment decisions, even though cognitive risk dimensions may not always translate into direct behavioral outcomes. Furthermore, Rozak et al. (2025) demonstrates that behavioral biases such as overconfidence and herding affect Sharia investment behavior among millennial investors. These findings collectively reinforce the view that Sharia investment decisions are shaped by financial capability, contextual influences, and behavioral factors.

5. Implications

5.1. Theoretical implications

This study contributes to the Islamic finance and behavioral finance literature by providing a nuanced understanding of the determinants of Sharia investment interest through the integration of multidimensional risk tolerance and religiosity. Unlike prior studies that conceptualize risk tolerance as a uni-dimensional construct, this study adopts a multidimensional perspective encompassing risk propensity, risk attitude, risk capacity, and risk knowledge. This approach allows for a more refined theoretical explanation of investor behavior in Islamic capital markets, where financial decisions are shaped by both economic constraints and religious values.

The findings demonstrate that religiosity and risk capacity are significant predictors of Sharia investment interest, whereas risk attitude, risk knowledge, and risk propensity do not exert significant direct effects. This result extends existing theories of investment behavior by highlighting that, within a Sharia-compliant context, religious commitment and objective financial capability play a more central role than psychological risk preferences or cognitive risk understanding. From a theoretical standpoint, this suggests that Islamic investment decisions cannot be fully explained by conventional behavioral finance models that primarily emphasize attitudes toward risk or risk-related cognition.

The significant effect of religiosity reinforces theoretical arguments that Islamic financial decision-making is fundamentally value-driven. Consistent with normative Islamic finance theory, investment interest is shaped not only by expected economic outcomes but also by adherence to Sharia principles, ethical beliefs, and religious obligations. This finding strengthens the theoretical linkage between religiosity and investment behavior, supporting the view that religiosity functions as a stable motivational construct that directly guides financial choices in Islamic markets.

The significant influence of risk capacity provides an important theoretical contribution by emphasizing the role of objective financial conditions in shaping Sharia investment interest. Unlike psychological risk tolerance dimensions, risk capacity reflects investors' actual ability to absorb potential financial losses without jeopardizing their financial stability. The results suggest that investors with greater financial capacity are more likely to express interest in Sharia-compliant investments, as they possess sufficient economic flexibility to engage in investment instruments that may involve longer investment horizons and structured risk-sharing mechanisms. This finding underscores the importance of distinguishing between perceived risk preferences and actual financial constraints in explaining investment behavior.

In contrast, the insignificant effects of risk attitude, risk knowledge, and risk propensity indicate that general willingness to take risk, psychological tolerance for uncertainty, and cognitive understanding of risk do not automatically translate into greater interest in Sharia-compliant investments. Theoretically, this implies that normative constraints imposed by Sharia principles may attenuate the influence of conventional risk-related traits, as investment decisions are bounded by ethical considerations and religious compliance. As a result, individual differences in psychological and cognitive risk dimensions may be less salient in Islamic investment contexts than in conventional financial markets.

Overall, this study enriches the theoretical integration of behavioral finance and Islamic finance by demonstrating that Sharia investment interest is primarily driven by religiosity and financial capacity rather than by traditional psychological or cognitive risk tolerance dimensions. By empirically disentangling the roles of multidimensional risk tolerance and religiosity, the study advances existing theories of investor

behavior and provides a more context-sensitive framework for understanding investment decision-making in Islamic capital markets, particularly in emerging economies such as Indonesia.

5.2. Practical and policy implications

The practical implications of this study are grounded directly in the empirical findings of the structural model. Specifically, Risk Capacity ($\beta = 0.508$, $f^2 = 0.166$) emerges as the strongest predictor of Sharia investment interest, followed by Religiosity ($\beta = 0.280$, $f^2 = 0.083$). These results suggest that policy and managerial interventions should prioritize strengthening investors' financial resilience and reinforcing Sharia compliance credibility rather than focusing solely on psychological risk preferences, which were found to be statistically insignificant.

5.2.1. Implications for regulators (OJK)

Given the significant and medium effect size of risk capacity, regulatory initiatives should aim to enhance household financial stability and long-term savings capacity. Since risk capacity reflects individuals' objective ability to absorb financial losses, expanding access to inclusive Sharia investment products with flexible capital requirements may increase participation among middle-income investors.
Furthermore, the significant positive effect of religiosity indicates that strengthening Sharia governance transparency-such as enhancing disclosure regarding Sharia supervisory board oversight-may reinforce investor trust and ethical confidence in Islamic financial products.
However, implementation may face structural constraints. Income disparities across regions and uneven financial literacy levels could limit the effectiveness of such policies. Therefore, capacity-building initiatives should be complemented with targeted financial education programs tailored to different socioeconomic segments.

5.2.2. Implications for the Indonesia stock exchange (BEI)

The empirical dominance of risk capacity ($\beta = 0.508$) suggests that market development strategies should lower entry barriers to Sharia investment participation. BEI may support the expansion of low-minimum-investment Sharia mutual funds or ETFs, enabling broader access for investors with limited financial capacity.
At the same time, although risk knowledge was not statistically significant ($\beta = 0.004$), this does not imply that financial literacy is irrelevant. Rather, it suggests that knowledge alone is insufficient without adequate financial capacity. Consequently, investor education programs should be integrated with accessible product design rather than treated as standalone interventions.

5.2.3. Implications for Islamic fund managers and financial institutions

Since psychological risk dimensions (risk attitude and risk propensity) were insignificant, marketing strategies emphasizing high-risk/high-return positioning may be less effective. Instead, communication strategies should highlight capital preservation, financial resilience, and Sharia compliance.
Product innovation should consider varying levels of financial capacity, offering tiered investment structures that accommodate different income groups. Nevertheless, fund managers must also recognize implementation constraints, including limited disposable income among certain investor segments and varying degrees of religious adherence intensity, which may influence responsiveness to Sharia-based messaging.

6. Conclusion

This study examines the determinants of Sharia investment interest by integrating multidimensional risk tolerance and religiosity within a behavioral finance framework. Using PLS-SEM analysis, the findings reveal that religiosity and risk capacity significantly influence Sharia investment interest, whereas psychological dimensions of risk tolerance-risk attitude, risk knowledge, and risk propensity-do not exert significant effects.
A central contribution of this study lies in demonstrating that risk tolerance does not operate uniformly in Islamic financial contexts. Unlike conventional behavioral finance assumptions that emphasize psychological risk preferences, the findings indicate that objective financial capacity plays a more decisive role in shaping Sharia investment interest. This suggests that investment behavior in Islamic capital markets is simultaneously constrained by financial capability and guided by religious commitment, offering a more context-sensitive refinement of behavioral finance theory.
From a practical perspective, expanding participation in the Islamic capital market requires policies and market strategies that strengthen investors' financial capacity while reinforcing trust in Sharia governance and compliance. Aligning economic accessibility with religious values is therefore essential for sustainable market development.
Despite its contributions, this study has limitations. The cross-sectional design limits causal inference, and the sample may not fully capture regional and socioeconomic diversity. Future research could employ longitudinal designs to observe dynamic behavioral changes, experimental approaches to identify causal mechanisms, and cross-country comparisons to assess the generalizability of these findings across different Islamic financial systems.
Overall, this study underscores that sustainable growth in Islamic capital markets depends on the interaction between financial capability and religious commitment, providing both theoretical advancement and actionable insights for policymakers and industry practitioners.

Acknowledgement

The authors would like to express their sincere gratitude to all respondents who participated in this study for their valuable time and insights. Appreciation is also extended to colleagues and institutions that provided support and constructive feedback during the research process. Any remaining errors are solely the responsibility of the authors.

References

[1] Alam, S. S., Janor, H., Zanariah, W. N., & Ahsan, M. N. (2019). Is religiosity an important factor in influencing the intention to undertake Islamic home financing in Klang Valley? Journal of Islamic Marketing, 10(3), 874–896.

[2] Barber, B. M., & Odean, T. (2001). Boys will be boys: Gender, overconfidence, and common stock investment. The Quarterly Journal of Economics, 116(1), 261–292. https://doi.org/10.1162/003355301556400.

[3] Brayman, S. (2012). Managing risk capacity in investment portfolios. Journal of Wealth Management, 15(1), 52–59.

[4] Bursa Efek Indonesia. (2023). Data jumlah investor pasar modal Indonesia.

[5] Byrnes, J. P., Miller, D. C., & Schafer, W. D. (1999). Gender differences in risk-taking: A meta-analysis. Psychological Bulletin, 125(3), 367–383. https://doi.org/10.1037/0033-2909.125.3.367.

[6] Cordell, D. M. (2001). RiskPACK: Risk tolerance assessment and financial planning. Journal of Financial Planning.

[7] Creswell, J. W., & Creswell, J. D. (2018). Research design: Qualitative, quantitative, and mixed methods approach (5th ed.). Sage Publications.

[8] Croson, R., & Gneezy, U. (2009). Gender differences in preferences. Journal of Economic Literature, 47(2), 448–474. https://doi.org/10.1257/jel.47.2.448.

[9] Dusuki, A. W., & Abozaid, A. (2007). A critical appraisal of the challenges of realizing Maqasid al-Shariah in Islamic banking and finance. Humanomics, 23(3), 143–160.

[10] Etikan, I., Musa, S. A., & Alkassim, R. S. (2016). Comparison of convenience sampling and purposive sampling. American Journal of Theoretical and Applied Statistics, 5(1), 1–4. https://doi.org/10.11648/j.ajtas.20160501.11.

[11] Hair, J. F., Sarstedt, M., Hopkins, L., & Kuppelwieser, V. G. (2014). Partial least squares structural equation modeling (PLS-SEM): An emerging tool in business research. European Business Review, 26(2), 106–121. https://doi.org/10.1108/EBR-10-2013-0128.

[12] Hassan, M. K., & Shamsher, M. (2010). Investment decision in Islamic finance: Evidence from Muslim investors. International Journal of Islamic and Middle Eastern Finance and Management, 3(3), 200–215.

[13] Husein, M. (2025). The effect of Islamic financial literacy, return perception, and risk perception on investment decisions in Sharia stocks with experienced regret as a moderation variable. Economics & Islamic Finance Journal, 2(1), 39–57.

[14] Iddagoda, Y. A., & Opatha, H. H. D. N. P. (2017). Religiosity: Towards a conceptual clarification. International Business Research, 10(2), 187–197. https://doi.org/10.5539/ibr.v10n2p63.

[15] Irna Puji Lestari, Ginanjar, W., & Warokka, A. (2021). Multidimensional risk and religiosity towards Indonesian Muslims' Sharia investment decision. Journal of Islamic Monetary Economics and Finance, 7(2), 369–400. https://doi.org/10.21098/jimf.v7i2.1321.

[16] Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. Econometrica, 47(2), 263–292. https://doi.org/10.2307/1914185.

[17] Karim, S., Shafique, M., & Rehman, M. (2016). Risk tolerance and investment preferences of women investors: Evidence from Pakistan. Journal of Islamic Economics, Banking and Finance, 12(3), 100–115.

[18] León, A. K., & Pfeifer, C. (2017). Religious activity, risk-taking preferences, and financial behaviour: Empirical evidence from German survey data. Journal of Behavioral and Experimental Economics, 69, 99–107. https://doi.org/10.1016/j.socec.2017.05.005.

[19] Mahdzan, N. S., Zainudin, R., Hashim, R. C., & Sulaiman, N. A. (2017). Islamic religiosity and portfolio allocation: The Malaysian context. Journal of Islamic Accounting and Business Research, 8(4), 434–451. https://doi.org/10.1108/IMEFM-11-2016-0162.

[20] Nguyen, L. T. M., Gallery, G., & Newton, C. (2019). *The joint influence of financial risk perception and risk tolerance on individual investment decision-making. Accounting & Finance, 59*(S1), 747–771. https://doi.org/10.1111/acfi.12295.

[21] Rozak, A., Rozak, A., Nugraha, S., Sari, M., Purnamasari, I., & Zainol, F. A. (2025). Behavioral finance in Sharia investment: An empirical study on Indonesian millennials. Journal of Islamic Economics and Business, 4(2), 294–314. https://doi.org/10.15575/jieb.v4i2.46872.

[22] Shabrina, N., Rahmawati, D., & Putri, A. (2024). Financial literacy and participation in the Sharia capital market: Evidence from Indonesia. Journal of Islamic Finance Research, 3(1), 15–29.

[23] Shah, M. H., Hanafiah, M. H., & Salleh, M. C. M. (2019). Religiosity and Islamic financial products: Evidence among Muslim women in Malaysia. International Journal of Islamic and Middle Eastern Finance and Management, 12(4), 523–537.

[24] Sherif, M., & Lusyana, D. (2016). Shariah-compliant investments and investor behaviour. Journal of Islamic Finance. https://doi.org/10.1108/JIABR-10-2015-0052.

[25] Soemitra, A. (2016). Bank dan lembaga keuangan syariah. Kencana.

[26] Vania Evanita Puspitasari, Yetty, F., & Nugraheni, S. (2021). Pengaruh literasi keuangan syariah, persepsi imbal hasil, dan motivasi terhadap minat investasi di pasar modal syariah. Jurnal Riset Ekonomi dan Bisnis, 14(3), 210–225. https://doi.org/10.47700/jiefes.v2i2.3292.

[27] Wahl, H., & Kirchler, E. (2020). Risk screening on the financial market (RISC-FM): A tool to assess investors' financial risk tolerance. Cogent Economics & Finance, 8(1), 1714108. https://doi.org/10.1080/23311908.2020.1714108.

[28] Walkshäusl, C., & Lobe, S. (2012). Islamic investing. Review of Financial Economics, 21(2), 53–62. https://doi.org/10.1016/j.rfe.2012.03.002..